

Items of Interest Regarding Comptroller's Directive No. 2-07

General:

- Questions should be addressed to the following: Sharon Lawrence, Director of Financial Reporting Sharon.Lawrence@doa.virginia.gov or (804) 225-2414, Doug Page, Assistant Director of Financial Reporting at Doug.Page@doa.virginia.gov or (804) 225-3136 or Christy Tuck, Senior Financial Reporting Analyst, at Christy.Tuck@doa.virginia.gov or (804) 225-3180.
- The Comptroller's Directive No. 2-07, Financial Statement Template Preparation for Higher Education Institutions, has been renumbered from the prior year's Comptroller's Directive No. 1-06.
- Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 112), is effective for fiscal year 2007. SAS 112 states that the identification by the auditors of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. This includes misstatements involving estimation and judgments and prior year ending balance restatements due to errors. It is possible that significant errors resulting in financial statement template adjustments, including prior year ending balance restatements, could result in either material internal control weaknesses or even a qualified opinion on the Commonwealth's Comprehensive Annual Financial Report (CAFR). **Institutions and foundations must ensure controls are in place to avoid material misstatements, restatements (due to errors), and/or misclassifications in the financial statement template.**
- Institutions will be notified if DOA determines the information provided is unacceptable. The deficiency will be identified and a revised due date will be provided. The *Code of Virginia, §2.2-5004 A3*, identifies "substantial compliance with all financial reporting standards approved by the State Comptroller" as an integral part of the financial and administrative management standards. **DOA will evaluate both the timeliness and accuracy of submissions to DOA to help determine whether the higher education institutions have complied with this management standard.** In addition, failure to provide complete and accurate information by the required due dates may result in citation in the Comptroller's *Report on Statewide Financial Management and Compliance* (Quarterly Report).
- The following GASB statement is effective for fiscal year 2007: GASBS No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEBs). Most likely this statement does not apply to an institution unless the institution rather than the Commonwealth of Virginia is the administrator of an OPEB.
- E-mail submissions are required for all submissions unless an individual submission indicates otherwise. DOA's e-mail submission address has been changed to finrept-HE@doa.virginia.gov.
- Institutions should remember to copy the Auditor of Public Accounts (APA) on all e-mail submissions to APAFinRept@apa.virginia.gov.
- Only cells highlighted in yellow allow for data entry. If a cell requires an amount to be entered, only whole numbers are allowed. Messages have been added that provide assistance to individuals having trouble entering data when the established parameters are not being followed. **Failure to correct keying errors denoted by validation messages prior to submission will prohibit acceptance of the attachment.**

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- DOA will notify institutions during the CAFR preparation and throughout the year if additional information is needed and provide a due date via e-mail correspondence.

Due Date Changes:

The attachments listed below are due by **September 27th** and should be complete and accurate.

- HE-10, Financial Statement Template, and Fluctuation Analysis
- HE-10A, Schedule of Cash, Cash Equivalents, and Investments at June 30
- HE-11, Reconciliation
- HE-12, Adjustments

New Certification Tab:

There will be a certification tab in each attachment (except for Attachment HE-1) to document the preparers and the reviewers. If the attachments have not been reviewed in the past prior to submission to DOA, ensure that enough time is allowed for the review process. An example of the certification wording in the Attachment HE-10 would be as follows: *We certify that this attachment (including all tabs) and the fluctuation analysis explanations have been reviewed and are complete and accurate. (Note: There should be a segregation of duties; therefore, the preparer and the reviewer should not be the same. By typing your names below you certify that the preparer and reviewer were not the same for any tab.)*

Attachment HE-2, Beginning Net Asset Reconciliation:

An explanation has to be provided for any restatements. In addition, the categories of restatements are as follows: change in estimate, change in reporting, and other. The TAB 1 for the institution includes a change in reporting category to account for the change in reporting guidelines for Department of Treasury's (Treasury) reimbursement programs that are discussed in the next section.

As previously discussed, SAS 112 states that an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control includes restatements of previously issued financial statements to reflect a correction of a material misstatement. This applies to whether the auditors or the institution discovers the restatement. (Note: This does not apply to a change in accounting principle to comply with a new accounting principle or a voluntary change from one GAAP to another.) Institutions and foundations must ensure that amounts are properly reported and controls are sufficient to prevent material restatements to correct prior year errors.

Attachment HE-10, Financial Statement Template (FST) Line Item Changes:

- 1) The following **SNAP line items have been removed** from the FST because SNAP amounts represent bond proceeds and should be reported on the applicable "restricted" SNAP line items.
 - State Non-Arbitrage Program (SNAP) funds
 - SNAP Individual Portfolio – Cash Equivalents
 - SNAP Individual Portfolio – Investments

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- 2) **Reporting guidelines for the following Treasury reimbursement programs have been revised for FY 2007:**

VCBA 21st Century
 VCBA Equipment Trust Fund (ETF)
 General Obligation Bonds (GOB) – 9b
 Virginia Public Building Authority

For more detail on these changes, see the “Higher Education Accounting Procedures” on DOA’s website at www.doa.virginia.gov. Click on the “Financial Reporting” link, and then click on “Higher Education Accounting Procedures.” Also, the revised Attachment HE-8, Treasury’s Reimbursement Programs, provides additional information on the changes. The following is a crosswalk of the change in financial statement template line items:

FY 2006 Financial Statement Template Line Item - Assets	FY 2007 Financial Statement Template Line Item - Assets
Appropriations Available – 21 st Century	Due from Component Units (VCBA 21 st Century)
Due from Primary Government	Due from Component Units (VCBA ETF)
Appropriations Available – GOB	Due from Primary Government (GOB)
Appropriations Available – VPBA	Due from Primary Government (VPBA)

FY 2006 Financial Statement Template Line Item - Revenue	FY 2007 Financial Statement Template Line Item - Revenue
State appropriation revenue – 21 st Century	Revenue from VCBA (21 st Century)
Capital Gifts & Grants (ETF) Other Gifts & Grants (ETF)	Revenue from VCBA (ETF)
State appropriation revenue – GOB	Capital Contributions from Treasury (GOB)
State appropriation revenue – VPBA	Capital Contributions from Treasury (VPBA)

The Attachment HE-7, Appropriation Available and Appropriation Revenue, has been revised to exclude the following programs that will be reported on the revised Attachment HE-8, Treasury’s Reimbursement Programs: VCBA 21st Century, GOB, and VPBA. The VCBA ETF program was already reported on the Attachment HE-8. Also, the Attachments HE-7 and HE-8 no longer require financial statement template net asset line items.

- 3) **New line item to report interest/rebate allocation due from the Commonwealth:** A new financial statement template line item has been added to account for the interest/rebate allocations due to the institutions per *Code of Virginia, §2.2-5005*. These amounts will be e-mailed to fiscal officers in late August and should be reported on the new **Due from Primary Government (interest/rebate allocations)** line item.
- 4) The **row numbers for certain FST line items have changed** because of the changes in line items discussed in items 1 to 3. In addition, DOA deleted some FST line items that were for DOA use only. If the row number of the FST line items is important to the conversion of the

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individually published financial statements to the template line items, you may need to review the FST to see if these changes affect the conversion of this information.

Additional Changes to Attachment HE-10:

- **All tabs – check figures added:** Check figures have been added on all tabs that have cells that show an error message if information is keyed incorrectly. The check figures are displayed in red and they show total amounts that should help to determine why there is an error message. Some check figures will show on the printed document; however, some check figures are seen on the screen but are not within the print area range and will be excluded from the printed document. In addition to check figures, some informational subtotals and amounts have also been included in selected tabs.
- **New tabs – Calculation of Invested in Capital Assets, Net of Related Debt:** TABS 9 and F10 have been added to document the invested in capital assets, net of related debt calculation. Prior year's TAB 7 Part 13 and TAB F7 Part 9 no longer have these calculations.
- **TABS 2 and F3, Receivables,** have been revised to include an **Interest Receivable** category. Also the Loans Receivable category has been changed to **Loans/Mortgage Receivable**.
- **TAB 7, Miscellaneous,** the prior year's Part 14, *GASBS No. 46, Net Assets Restricted to Enabling Legislation*, has been removed. A new part 13 has been added to request information regarding **GASBS No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (OPEBs)**.
- **TAB F5, LT Liabilities:** The following information is **no longer needed** for **Parts 1 and 2** regarding bonds or notes payable amounts reported by the foundations: original issue date, original issue \$, interest rates, and maturity date. Also, a **new Part 5** has been added to provide the following for **Long-term Liabilities-Other:** foundation, outstanding balances as of year-end, and description.
- **TAB F7, Part 6, Significant Intrafund Balance/Activity Amounts not Eliminated because of Different Year-End Dates:** A new question has been added to document whether there is significant intrafund balance/activity amounts among the foundations reported on the Combining FST that are not eliminated because of differing year-ends.
- **TAB F8, Intrafund:** This tab only applies to institutions with foundations that have calendar year-ends. Significant intrafund activity/balances between the institution and foundations (including within the foundations) with calendar year-ends that cannot be eliminated because of the differing year-ends must be provided on this tab. This tab has been revised to provide the **foundation** FST line items and amounts that cannot be eliminated (**Part 1**) and to provide the **institution (HEI)** FST line items and amounts that cannot be eliminated (**Part 2**).
- **TAB F9, Short-term Debt:** The following information is **no longer needed** regarding short-term debt or BANS reported by the foundations: date issued, amount issued, interest rates, expiration/maturity date.
- **Revision Control Log (RCL):** There should only be **one complete and accurate submission** of the Attachment HE-10 submitted by September 27th; therefore, an RCL tab is not included in this attachment.
- **Checklist:** Changes have been made to the checklist tab. This tab must be read prior to completing the attachment and it should be completed after the attachment is complete.

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Attachment HE-11, Reconciliation:

The HE-11, Reconciliation, must be submitted with the HE-10, Financial Statement Template. In addition, there will no longer be an option regarding the format to use. DOA's format must be used to document the reconciliation between the individually published financial statements and the financial statement template.

Additional Information:

See the instructions for Attachment HE-10, Financial Statement Template, the **Financial Statement Template Preparation for Higher Education Institutions, Additional Guidelines for Preparation of the Financial Statement Template**, and **Combining Financial Statement Template Preparation for Foundation(s)** sections of the Office of Comptroller's Directive 2-07 for additional information.

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